

Central Intelligence Agency



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Brazil: Intelligence Overview

Political: With about 50% of the vote counted from the 15 November elections, the government faces significant but not overwhelming defeats that could threaten its control over the political process. Opposition gubernatorial and senatorial candidates are winning in 8 of 23 states, including most major ones, but the government is ahead elsewhere. The government party has garnered only about 35% of the total vote to date. If the current pattern holds, the government's majority in the all-important presidential electoral college, which will select Figueiredo's successor in 1985, will be in jeopardy. On balance, however, the elections represent a major step forward in the political liberalization process, and we believe the results will be honored. We also believe a change in the domestic political focus is likely in 1983-84, with the regime seeking accommodations with moderate opposition groups to protect its political preeminence.

Economic: The economy will continue to be a major priority concern for Brasilia in 1983-84. Real GDP growth was negative in 1981-82 and likely to be stagnant at best for another year. Brazil's foreign exchange position will remain precarious through 1983, but major retrenchment already in train will likely improve economic performance and bolster banker support. Despite our cautious optimism, major downside risks remain. Any wavering in the pursuit of necessary adjustments could cause bankers to withdraw financial support. Moreover, Brazil will quickly face renewed foreign exchange difficulties if oil prices rise, world interest rates rebound, commodity prices fail to recover, or weather-driven agricultural disasters result in export shortfalls. Thus, significant improvement in Brazil's economic picture is heavily dependent on a marked upturn from worldwide recessionary conditions.

Foreign Policy: For years Brasilia has pursued a generally pragmatic, non-doctrinaire foreign policy intended to promote increasing autonomy and steady progress toward major power status. Heavy emphasis has been given to diversifying the country's economic ties worldwide, in order to expand export markets and decrease dependence on oil suppliers and industrialized nations alike. Relations with the United States, Brazil's single most important trading partner, have improved steadily since 1977, but important areas of contention remain. Bilateral issues revolve essentially around specific trade disputes, differences over GATT and protectionism in general, nuclear safeguards, and the nature of military cooperation. More generally, Brasilia is critical of the US position on a wide range of international issues, including Global Negotiations and graduation. Although avoiding strong public statements, the Figueiredo government was critical of the US position in the Falklands conflict and is determined not to play a role on Washington's behalf to improve US-Latin American relations.

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